

**INFORMATION ON
CONTINUATION OF GROUP HEALTH INSURANCE
COVERAGE FOR NEW EMPLOYEES AND DEPENDENTS
UNDER THE PROVISIONS OF COBRA**

Dear Employee and Family Members:

**CONSOLIDATED OMNIBUS BUDGET RECONCILIATION ACT OF 1985
(COBRA)**

The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 contains a provision pertaining to the continuation of health care benefits for persons enrolled for coverage through an employer group plan. COBRA requires that most employers sponsoring group health plans offer employees and their families who are losing coverage under the employer's plan the opportunity for a temporary extension of health coverage. This coverage, called continuation coverage, would be offered at group rates plus a small administrative fee, in certain instances where coverage under the plan would otherwise end.

This notice is intended to inform you of the rights and obligations under the continuation coverage provisions of the COBRA law should you ever lose the group health coverage provided through the New Jersey State Health Benefits Program. Please take the time to read this notice carefully.

COBRA AND THE STATE HEALTH BENEFITS PROGRAM (SHBP)

1. Employees enrolled in the SHBP may continue their coverage under COBRA if coverage ends because of:
 - reduction in working hours;
 - leave of absence; or
 - termination of employment for reasons other than gross misconduct.
2. Spouses of employees enrolled in the SHBP may continue their coverage under COBRA if coverage ends because of:
 - death of the employee;
 - end of the employee's coverage due to a reduction in working hours, leave of absence or termination of employment;
 - divorce or legal separation from the employee; or
 - election of Medicare as the employee's primary insurance carrier (requires dropping the group coverage carried as an active employee).
3. Dependent children of employees enrolled in the SHBP may continue their coverage under COBRA if coverage ends because of:
 - death of the employee;
 - end of the employee's coverage due to a reduction in working hours, leave of absence or termination of employment;
 - election of Medicare as the employee's primary insurance carrier (requires dropping the group coverage carried as an active employee); or
 - loss of dependent child's eligibility through independence (moving out of the household), the attainment of age 23, or marriage.

EMPLOYEE RESPONSIBILITY UNDER COBRA

The employee is responsible for notifying the employer within 60 days of a COBRA qualifying event such as divorce, legal separation or a child losing dependent status. For a child losing coverage because of attaining age 23, the employee has 60 days from the end of the calendar year in which the 23rd birthday occurred to file for COBRA coverage.

If the employee does not inform the employer of the change in status within the 60 days, the employee may forfeit the dependent's right to COBRA.

EMPLOYER RESPONSIBILITY UNDER COBRA

The employer has the responsibility to inform the SHBP of the employee's death, termination of employment, reduction in hours or Medicare entitlement (*i.e.*, enrollment).

The employer has the responsibility to notify the employee or the employee's dependents of the right to continue group coverage under the provisions of the COBRA law. The employer will also send the necessary forms and instructions to continue the coverage.

ENROLLMENT IN COBRA

Under COBRA, the employee or the employee's dependents have 60 days from the date of notification to elect continued coverage. To elect continued coverage, the employee or the employee's dependents must submit a properly completed New Jersey State Health Benefits COBRA Application form.

If the employee or the employee's dependents do not choose continuation coverage, group health insurance coverage will terminate. Conversion to an individual non-group private insurance policy may be offered.

LENGTH OF YOUR COBRA ENROLLMENT

The length of your COBRA enrollment depends on the nature of the COBRA qualifying event that entitled you to COBRA.

- For loss of coverage due to termination of employment, reduction of hours or leave of absence, the employee and/or dependents are entitled to 18 months of COBRA coverage. Time on leave of absence just before enrollment in COBRA, unless under the federal and/or State Family Leave Act, counts towards the 18-month period and will be subtracted from the 18 months. Time a member spends on federal or State Family Leave will not count as part of the COBRA eligibility period.
- If you receive a Social Security Administration disability determination for an illness you had when you enrolled in COBRA or incurred within the first 60 days of COBRA coverage, you are

entitled to an extra 11 months of coverage up to a maximum of 29 months of COBRA coverage. Other family members enrolled under the same coverage are also entitled to this extension. You must provide proof of disability determination from the Social Security Administration before the end of your normal 18-month COBRA term to qualify for the extension.

- For loss of coverage due to the death of an employee, divorce or legal separation, dependent ineligibility or Medicare entitlement, the continuation term for dependents is 36 months.

TERMINATION OF YOUR COBRA COVERAGE

According to the law, COBRA benefits through the State Health Benefits Program may be cut short for any one of the following reasons:

1. The employer (or former employer) no longer provides New Jersey State Health Benefits coverage to any of its employees. (Your COBRA benefits should be continued through the employer's new insurance plan.)
2. The premium for your continuation of coverage is not paid.

3. You become covered under another group plan as either an employee or dependent. An exception to this rule is if your new health plan has a pre-existing condition clause that is applicable to you or one of your enrolled family members. In that case, you may continue your enrollment in COBRA to pay for the condition excluded by the pre-existing condition clause.
4. You become entitled to Medicare.

COST AND CONVERSION OF COBRA CONTINUATION COVERAGE

You do not have to provide proof of insurability to choose to continue coverage. You are, however, responsible for paying the cost of continuation coverage, which is the full group rate plus a 2 percent administrative fee.

The COBRA law also provides that you must be allowed to enroll in an individual, non-group policy of the same health plan provided under the State Health Benefits Program at the end of your COBRA enrollment period.

MORE INFORMATION

If you have any questions about COBRA,
please contact your benefits administrator or
personnel officer.



Please refer to the next page of
this booklet for

COBRA HIGHLIGHTS
and
SPECIAL NOTICES CONCERNING COBRA

COBRA HIGHLIGHTS

EMPLOYER REQUIREMENTS

1. Notify all newly hired employees and their dependents of the COBRA provisions by copy of the notification letter mailed to their home.
2. Notify the employee, spouse and/or dependents of their rights to purchase continued health coverage within 14 days of receiving notice that there has been a COBRA qualifying event. An application form and rate chart should be made available with the COBRA Notice that gives the date of termination of coverage and the period of time over which coverage may be extended. The notification must be mailed to the **employee and family** at the home address on file and a record of this notification should be maintained.

EMPLOYEE REQUIREMENTS

1. The employee must notify the employer of a COBRA qualifying event such as divorce, legal separation or dependent child ceasing to be eligible for coverage. This must be done within 60 days of the qualifying event.
2. The employee or eligible individual must notify the New Jersey State Health Benefits Program of their decision to elect continued coverage by filing a COBRA application and submitting required premiums within 60 days of employer notification.

SPECIAL NOTICES CONCERNING COBRA

1. If coverage under the plan is modified for group employees, the coverage will also be modified in the same manner for all COBRA eligible individuals electing continuation coverage.
2. If a second qualifying event occurs during the 18-month period following the date of employee's termination or reduction in hours, the beneficiary of that second qualifying event will be entitled to 36 months of continuation coverage. The period, however, will be measured from the date of the first qualifying event. As an example, John Smith terminates employment and enrolls in COBRA with husband and wife coverage for an 18-month term. In the tenth month, he dies. Mrs. Smith is now eligible to continue her coverage for a total of 36 months from the first COBRA event leaving her 26 months of remaining eligibility.
3. COBRA continuation will terminate on the date that the enrollee first becomes covered under any other group health plan as an employee or dependent unless that plan has a pre-existing condition clause.
4. If the health plan being continued offers a choice among types of coverage, employee, spouse and dependents are each entitled to make their own decision as to these choices.
5. If the employee or spouse declines coverage, the spouse/dependents may elect it for themselves.
6. COBRA subscribers are permitted to add dependents to their existing coverage within 60 days of their acquiring those dependents (*i.e.*, marriage, birth, adoption, guardianship).
7. COBRA beneficiaries are offered the same rights to coverage at Open Enrollment as are available to active employees. A former employee or dependent, who elected to enroll in any other SHBP coverage offered by the former employer may do so during the SHBP Open Enrollment period as long as the employee or dependent was eligible for that coverage when first enrolled in COBRA. However, the addition of a benefit during the Open Enrollment does not extend the maximum COBRA coverage period. All COBRA enrollees receive Open Enrollment information, mailed directly to the address on file with SHBP.